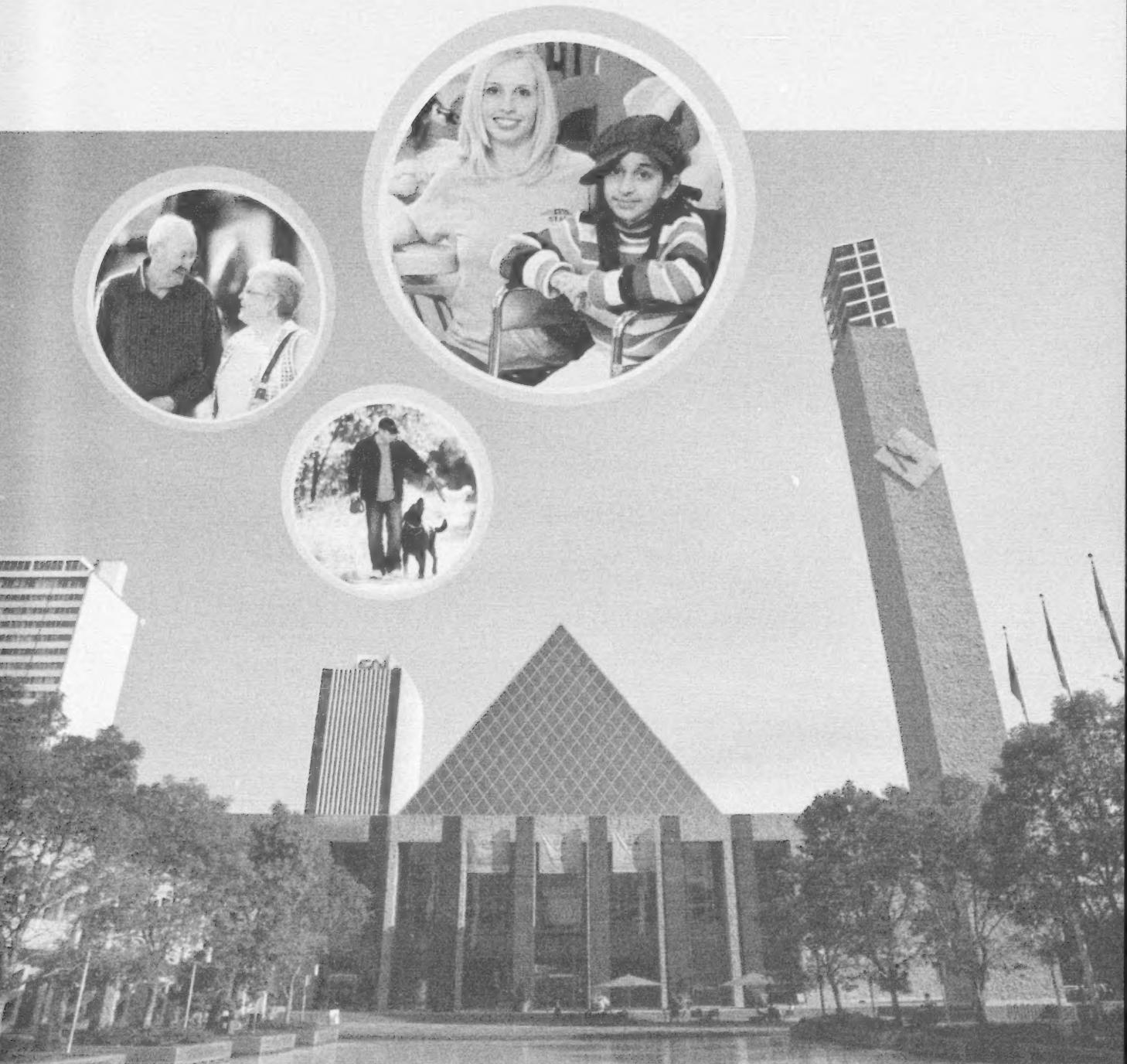


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# 2009 Financial Report to Citizens

The City of Edmonton, Alberta, Canada

For the year ended December 31, 2009

## 2009 Financial Results

A global economic recession has continued to challenge the City to balance our growing community's long-term goals with the requirement for expanded services within limited resources.

This report is intended to provide highlights of the financial reporting. Readers can also access the complete City Annual Report at [www.edmonton.ca/AnnualReport](http://www.edmonton.ca/AnnualReport). Copies are available at each of the public library locations.



The City of Edmonton's 2009 financial results demonstrate prudent fiscal management while maximizing benefits to Edmontonians for their tax dollars. DBRS (Dominion Bond Rating Service) noted these factors among others in reconfirming a strong credit rating of AA (high) for the City of Edmonton.

### Organizational and Business Changes

Several significant business and organizational changes influenced the financial reporting for 2009:

- Effective January 1, a full utility business model was adopted for the Waste Management function which had previously been partially funded by tax levy.
- The Gold Bar Wastewater Treatment Facility was transferred from the Drainage Services Utility to EPCOR, effective March 31.
- The responsibility for ambulance services was assumed by the Province of Alberta resulting in the transfer of Emergency Medical Services from the City to Alberta Health Services, effective April 1.

### Citizen Input

Considering input from thousands of citizens, City Council approved *The Way Ahead: City of Edmonton Strategic Plan* in July 2008. The plan's 30-year vision and 10-year goals help guide decisions and priorities, to ensure the City stays on track in its efforts to support the quality of life for citizens now and in the future.

The City is committed to public consultation during the development and review of the annual budget. In 2009, the city conducted a pilot project with the University of Alberta to gain informed citizen opinion for the 2010 budget priorities. The Edmonton Citizen Panel brought together 49 randomly recruited Edmontonians of diverse backgrounds, ages, incomes and experiences to recommend direction on Edmonton's budget priorities. A series of Mayor's Town Hall Meetings were also held in November and December throughout the city to get public input, in addition to a public hearing at City Council on the proposed budget.



## Operating Results

Early in 2009, corporate forecasts for investment earnings and planning revenues indicated a significant shortfall in revenue expectations. To meet the fiscal challenges, the City of Edmonton undertook a rigorous review of all programs and services to find opportunities to improve efficiencies, reduce services or defer programs without adversely affecting quality of life for citizens. The City introduced hiring controls and postponed some projects/initiatives.

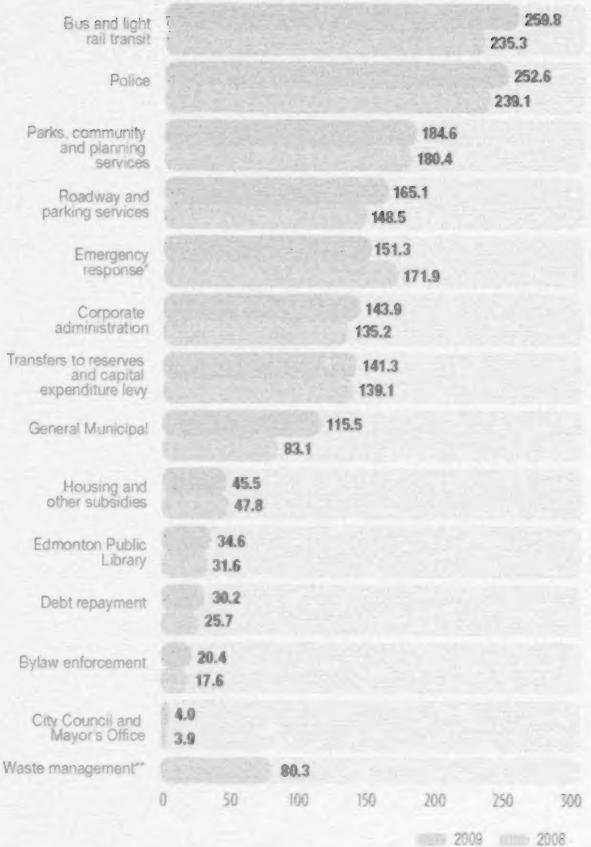
Conservatively managed expenditures, cost reductions, and a late upturn in earnings from short-term bond funds and additional gas franchise fees resulted in a year-end surplus, valued at \$33.9 million, or 2.2 per cent of the total expenditure budget for tax-supported operations.

A portion of this surplus for tax-supported operations was used to replenish the Financial Stabilization Reserve (FSR), which is available to address emerging needs and to provide flexibility in times of revenue instability. The FSR was drawn upon in 2008 to deal with the affects of the economic recession.

In the 2010 budget process, several projects were identified to receive support in the event of a 2009 surplus. The 2009 surplus has subsequently allowed the city to support:

- Additional funding for affordable housing, through the Cornerstones initiative.
- New projects including the Aboriginal Transitional Component of the Boyle Renaissance project, Scona Pool operating costs, Edmonton Salutes and the expansion of the Cigarette Litter Reduction program.
- Projects not completed in 2009 with funding carried forward to 2010, such as the trolley decommissioning, a Community League Infrastructure assessment, Grey Cup activities, Wildlife Rehabilitation Society relocation effort and the Industrial Land Use Strategy development.

## Services Supported (millions of \$)



\* Ambulance services were transferred from the City to Alberta Health Services as of April 1, 2009.

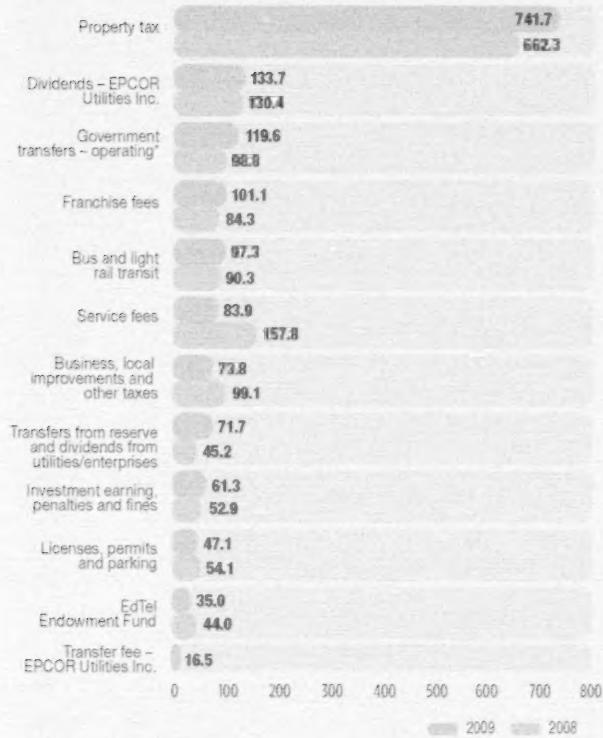
\*\* Waste Management adopted the full utility business model as of January 1, 2009.

## Your Priorities

Edmontonians have said that some of their top priorities for services are public transit and roads, police services, fire rescue, parks and community services. We continuously strive to enhance these areas.

## Where the money to run the City comes from

(millions of \$)



\* Government transfers include transfers in lieu of tax.

The Schedule of Municipal Operations (page 6) outlines the 2009 revenues and expenditures for the City's tax-supported programs and services on a basis consistent with the approved 2009 budget. Summarized information on utility and subsidiary operations is included in the Other Financial Information table.

Budget and Actual 2009 figures are consistent with those integrated in the City's audited consolidated financial statements. Financial results by function reflected in the 2009 consolidated financial statements include adjustments required upon consolidation to be consistent with the standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Consolidated financial statements, as audited by the independent accounting firm of Deloitte & Touche LLP, form part of the 2009 City of Edmonton Annual Report.

## Capital Results

To help serve a growing population and address infrastructure needs, the City has significantly increased investments in infrastructure over the past five years. As the first year of a three year 2009 – 2011 Capital Budget, capital expenditures in 2009 of \$1,373.3 million proceeded against a \$1,687.9 million budget.

## Capital Additions

(millions of \$)

2009	1,373.3
2008	1,356.8
2007	870.8
2006	515.8
2005	428.6

Capital expenditures are being financed primarily through increased funding transfers from other orders of government, additional borrowing and developer/partner financing. The City also continues to fund a significant level (2009 - \$95.4 million) of capital on a pay-as-you-go basis from operating revenues. The City borrowed an additional \$609.9 million in 2009, of which \$345.3 million is tax-supported debt. The South LRT expansion accounts for \$165.9 million of the 2009 tax-supported borrowing. Although the overall debt level has increased, the City carries levels of debt well below the legislated limits for municipalities.

#### Tax-Supported Debt

(millions of \$)

2009	867.3
2008	547.7
2007	329.5
2006	147.5
2005	103.8

Significant projects which advanced in 2009, to support the growing infrastructure needs of our community included:

- Expansion of the South LRT, subsequently opened in April, 2010;
- Construction on the Whitemud/Quesnell Bridge and the 23rd Avenue/Gateway Boulevard interchange;
- Improvements to arterial roads, primary highways and neighbourhood renewal;
- Upgrades and construction of drainage infrastructure, including flood prevention and mature neighbourhood rehabilitation;
- Construction of the Southwest transit garage and Terwillegar Community Recreation Centre;
- Construction of the Waste Management processing and transfer facility; and
- Construction for the Fort Edmonton Park Footbridge.

Some capital projects did not proceed to the extent planned due to factors such as outstanding external commitments, project delays from the unavailability of resources or timing of land acquisitions. Those projects will continue into 2010.

Comparative figures for 2008 have been restated to conform with the financial statement presentation adopted for the current year.

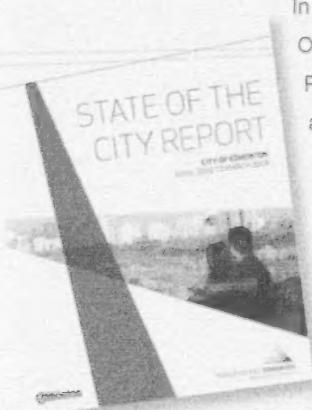
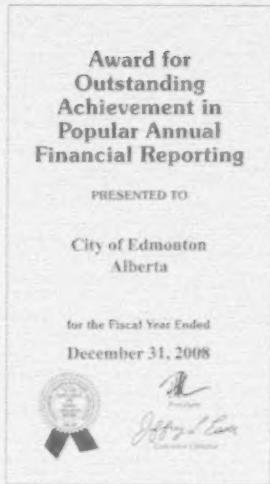


## Financial Reporting Award

The City of Edmonton is committed to transparent and quality financial reporting as demonstrated through the receipt of awards in the financial area.

The Government Finance Officer's Association of the United States and Canada (GFOA) has given an **Award for Outstanding Achievement in Popular Annual Financial Reporting** to the City of

Edmonton for its Popular Annual Financial Report (2008/2009 State of the City publication) for the fiscal year ended December 31, 2008. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.



In order to receive an Award for Outstanding Achievement in Popular Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. This was the first time that the City of Edmonton applied for this award.

## Summary

The City of Edmonton continues to benefit from one of the strongest economic growth outlooks in the country. However, the benefits of economic recovery will be slow to generate stable increases in revenue for the City and the economic challenges in 2009 are expected to continue in 2010. Administration is undertaking another review of budget and services, to find further efficiencies, evaluate revenues and identify ways to adjust levels of service without adversely affecting quality of life.

The City of Edmonton continually strives to maintain the vast array of services that Edmontonians have come to expect, while managing limited revenue in a fiscally responsible manner.

# SCHEDULE OF MUNICIPAL OPERATIONS (Note 1)

For the year ended December 31, 2009

Revenues (in thousands of dollars)	Budget 2009	Actual 2009	Expenditures (in thousands of dollars)	Budget 2009	Actual 2009
Taxation:					
Property	\$ 745,397	\$ 741,699	Bus and light rail transit	\$ 267,183	\$ 259,781
Business	61,468	62,308	Police	250,933	252,613
Government transfers in lieu of tax	20,494	22,299	Roadway and parking services	166,410	165,122
Local improvements	8,329	8,627	Emergency Response	150,652	151,316
Other	2,150	2,833	Corporate administration (Note 2)	145,563	143,923
	837,838	837,766	Parks and recreation	121,039	115,674
Franchise fees	95,427	101,109	General municipal (Note 3)	114,163	115,511
Bus and light rail transit	102,790	97,341	Housing and other subsidies (Note 4)	62,287	45,496
Government transfers - operating	101,194	97,336	Community and family	44,390	41,425
General municipal services and other	74,573	83,902	Edmonton Public Library	34,593	34,593
Fines and penalties	40,799	44,369	Planning Services	30,724	27,535
Ed Tel Endowment Fund contribution	34,991	34,991	Bylaw enforcement	16,438	20,391
Licenses and permits	31,155	32,863	City Council and Mayor's Office	4,279	3,985
Investment earnings	12,945	16,941			
Parking	14,072	14,202			
<b>Municipal revenues before transfers and dividends</b>	<b>1,345,784</b>	<b>1,360,820</b>	<b>Municipal expenditures before transfers and debt principle repayments</b>	<b>1,408,654</b>	<b>1,377,365</b>
Dividends from EPCOR Utilities Inc.	133,505	133,700	Debt repayment	29,461	30,192
Gold Bar Wastewater Treatment Facility transfer fee from EPCOR Utilities Inc.	16,500	16,500	Transfer to reserves	13,580	41,406
Dividends from Utilities and Enterprises	24,809	24,942	Capital expenditure levy (Note 5)	99,004	99,894
Transfer from reserves	30,101	46,746			
<b>Total Municipal Revenues</b>	<b>\$ 1,550,699</b>	<b>\$ 1,582,708</b>	<b>Total Municipal Expenditures</b>	<b>1,550,699</b>	<b>1,548,813</b>
			<b>Excess of revenues over expenditures</b>	<b>\$ -</b>	<b>\$ 33,895</b>

## Notes to Schedule of Municipal Operations:

1. This schedule has been prepared on a basis consistent with the budget for tax-supported operations. Financial results reflected in the 2009 Financial Annual Report include adjustments required upon consolidation, consistent with the standards established by the Public Sector Accounting Board (PSAB).
2. Corporate administration consists of personnel and administrative costs for Assessment and Taxation, Corporate Services, Finance and Treasury, Offices of the City Manager, Deputy City Manager and City Auditor.
3. General municipal consists of accommodation expenditures, personnel and administrative costs for capital project management, risk management expenditures, general financial costs and tax appeals and allowances.
4. Includes subsidies paid to support public housing and certain Boards, Authorities and other organizations.
5. Capital expenditure levy represents pay-as-you-go and neighbourhood renewal funding from municipal revenues to fund capital projects.

## Other Financial Information

(in thousands of dollars)

	Revenues	Expenditures	Net income (loss)	Contribution to municipal operations
EPCOR Utilities Inc.	\$ 2,449,010	\$ 2,324,096	\$ 124,914	\$ 186,014
Ed Tel Endowment Fund (unaudited)	(8,097)	2,207	(10,304)	34,991
Sanitary Drainage Services (unaudited)	81,953	63,410	18,543	16,049
Land Drainage Services (unaudited)	24,991	14,808	10,183	
Waste Management (unaudited)	112,789	118,035	(5,246)	
Edmonton Economic Development Corporation	34,737	34,460	277	
Edmonton Public Library Board	43,691	41,803	1,888	

The financial results provided above are consistent with those reported in the annual financial statements for the respective organizations or operations. The contribution to municipal operations reflects the amount, excluding taxation, included in the Schedule of Municipal Operations. Edmonton Economic Development Corporation revenues include \$12,336 of tax levy funding. Edmonton Public Library Board revenues include \$34,593 of tax levy funding and \$1,089 in contributed assets.

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